

Farm Produce Insurance Act Assessment Estimates:

It is estimated that assessments under this program will generate sufficient funds to reach the \$5 million dollar cap on the fund within about 4 years, assuming no losses are paid out during the period.

Crop	5yr. Avg. Value	% Sold to (X) Lic. Elev.	Assessment (X) Rate	Annual (=) \$ to FPI
Corn:	\$356 ml	55%=\$196 ml	.2%	\$392,000
Soys:	\$352 ml	70%=\$274 ml	.2%	\$493,000
Wheat:	\$86 ml	65%=\$56 ml	.2%	\$112,000
Dry beans:	\$78 ml	75%=\$59 ml	.2%	<u>\$117,000</u>
Total estimated annual contribution to the fund:				\$1,114,000

Assessment amount at .2% based on 5 year average price and yield for several covered commodities:

- **Corn** at \$2.00/bu = .4 cents/bu or 46 cents per acre
valued at \$230.00
- **Soybeans** at 5.00/bu = 1 cent/bu or 37 cents per acre
valued at \$185.00
- **Wheat** at \$2.50/bu = .5 cents/bu or 32 cents per acre
valued at \$160.00
- **Dry beans** at \$19.00/cwt = 3.8 cents/cwt or 57 cents per acre
valued at \$285.00

Average cost per \$1,000 of coverage = \$2.00

**Cost per 800 bushel truckload of corn = \$3.20 to
protect a value of \$1,600**

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MICHIGAN FARM PRODUCE INSURANCE PROGRAM

GRAIN BUYER INFORMATION



**Securing your investment.
Protecting your future.**

Michigan Farm Produce Insurance Program

The Michigan Farm Produce Insurance Program was established on November 7, 2003, to protect farmers in the event of a farm produce dealer's financial failure. The fund, established under the Program provides payments to farmers damaged by the financial failure of a farm produce dealer.

In the event that a farm produce dealer fails, producers that have paid into the fund and have not requested a premium refund can receive 100% payment on storage losses for warehouse receipted produce which occur at a licensed warehouse, or 90% payment on all other financial losses from farm produce delivered to the buyer. The producer's financial loss for unpriced farm produce is calculated using the market value of such farm produce on the buyer's last day of business, which may not be the same as the sale price, less certain charges, times either 90% or 100%.

EXAMPLE: If the producer has delivered 1,000 bushels of dry, #2 yellow corn to the buyer and entered into a price later agreement, the market value as of the last day of business is established at \$2.55 per bushel and there is a .05 cents per bushel deferred charge, the calculation would be:

$\$2.55 \times 1,000 \text{ bushels} = \$2,550$

$\$2,550 - \$50 (1,000 \text{ bu.} \times .05 \text{ price later agreement handling charge}) = \$2,500$

$\$2,500 \times .90$ (the percentage of protection for all non-storage obligations) = **\$2,250**

$\$2,250 - \5.10 (premium payable to the fund $\$2,550 \times .002$) = **\$2,244.90**

The producer would receive **\$2,244.90** from the fund for the financial loss suffered under this example.

How is the fund built?

The Program is funded by assessing a two-tenths percent (.002) premium from the gross sale price of each producer payment. Producer premiums must be collected by the farm produce grain dealer and remitted to the Program quarterly.

After the fund reaches \$5 million, premiums will no longer be collected. However, when the fund dips below \$3 million, premium assessments will be reinstated. The Board of the Farm Produce Insurance Authority administers the fund and the money in the fund is invested based upon the Act.

Who is a grain dealer?

Under the program, a grain dealer means a person engaged in the business of receiving, buying, exchanging, selling, or storing farm produce in this state and licensed under the Michigan Grain Dealers Act. The term includes a farm produce trucker, grain merchandiser, or processor. The term does not include a person solely engaged in one of the following:

- 1) Selling farm produce produced by the person.
- 2) Buying farm produce in a cash sale to feed own livestock.
- 3) Handling less than 30,000 bushels of farm produce in prior or current fiscal year, and buying farm produce in cash only.
- 4) Purchasing farm produce from a person other than a grower or a producer of the farm produce in a cash sale.
- 5) Contracting for land or services to produce seed for sowing or propagation.

Managing the Program

Under the program, grains include those grown for seed use and all:

- Dry edible beans
- Soybeans
- Small grains
- Cereal grains
- Corn

As of January 1, 2005, licensed grain dealers must:

- Collect a two-tenths percent (.002) premium from the net proceeds of each producer payment.
- Document and maintain records of the premium paid by the producer.

The grain buyer will submit the premiums paid by producers four times a year. Remittance forms will be provided to illustrate how the premiums should be calculated. The premiums collected by the buyers should be submitted to the Michigan Farm Produce Insurance Program as follows:

April 30 For Jan., Feb., and March premiums
July 31 For April, May, and June premiums
October 31 For July, Aug., and Sept. premiums
January 31 For Oct., Nov., and Dec. premiums

Licensed grain dealers may retain 0.1% of the premiums collected to offset initial administrative expenses involved in premium collection.

The Michigan Department of Agriculture (MDA) will perform all audit and inspection functions. Audits will consist of verification of the calculation, collection, and remittance of the appropriate premiums.

The Farm Produce Insurance Program Board consists of 9 members (7 voting) who represent farmers and grain, feed and banking interests. The Board administers the Farm Produce Insurance Fund.

If you have any questions or would like more information, call (517) 241-2865 or visit <http://www.michigan.gov/graindealers>.